

MEETING OF BOARD OF MANUFACTURED HOUSING
Department of Fire, Building and Life Safety

Wednesday, October 20, 2010

1:00 p.m.

1110 West Washington, Room 3100B

Phoenix, Arizona 85007

REPORTED BY:

CHRISTINE M. COALY, RPR
Certified Reporter
Certificate No. 50417

PREPARED FOR:

BOARD OF MANUFACTURED HOUSING

(Copy)



3030 North Central Avenue
Suite 1102
Phoenix, Arizona 85012

T 602.264.2230
888.529.9990
F 602.264.2245

www.griffinreporters.com

1 P R O C E E D I N G S

2 CHAIRMAN WAIT: I will go ahead and call the
3 meeting to order. It's one o'clock.

4 Roll call, please.

5 MS. BLAKE: Mr. Chairman and Board Members,
6 I'd like before we start the roll call to introduce you to
7 Ayde Marquez. Ayde is going to be providing support for
8 all of you from this point forward.

9 CHAIRMAN WAIT: Welcome aboard.

10 MS. MARQUEZ: Thank you.

11 MS. BLAKE: Go ahead.

12 MS. MARQUEZ: Ross Wait.

13 CHAIRMAN WAIT: Here.

14 MS. MARQUEZ: Sam Baird.

15 BOARD MEMBER BAIRD: Here.

16 MS. MARQUEZ: Paul De Sanctis.

17 Robert Gibb.

18 BOARD MEMBER GIBB: Here.

19 MS. MARQUEZ: Neal Haney.

20 And Carlo Leone did phone in that he
21 wouldn't make it.

22 Catherine McGilvery.

23 BOARD MEMBER MCGILVERY: Here.

24 MS. MARQUEZ: Joseph Stegmayer.

25 BOARD MEMBER STEGMAYER: Here.

1 MS. MARQUEZ: Roger Wendt?

2 BOARD MEMBER WENDT: I'm here.

3 MS. MARQUEZ: Okay. Gene Palma?

4 MR. PALMA: Here.

5 MS. MARQUEZ: Debra Blake.

6 MS. BLAKE: Here.

7 MS. MARQUEZ: Beth Soliere?

8 MS. SOLIERE: Here.

9 CHAIRMAN WAIT: Thank you. I would
10 entertain a motion of the abbreviated minutes of the May
11 12, 2010, meeting.

12 BOARD MEMBER WENDT: So moved.

13 BOARD MEMBER GIBB: Second.

14 CHAIRMAN WAIT: Any discussion?

15 All those in favor say eye.

16 BOARD MEMBERS: Aye.

17 CHAIRMAN WAIT: Carries the same. Thank
18 you.

19 All right. Financial reports.

20 MS. BLAKE: Mr. Chairman and Board Members,
21 what you have in your packet beginning on page 5 and under
22 the tab Financial Reports, the first report that you see
23 is for June 2010, which of course was end of fiscal year
24 '10. And just wanted to provide you with that sum total
25 information of where we ended up with for last fiscal

1 year.

2 Part of this was the projection that we had
3 at the last board meeting talking about where we would end
4 up on the 95-105 status. And you can see from this report
5 we ended up where we expected to be, which was a little
6 below the target, hence the need for fee increase. So
7 that's that information.

8 Beginning on page 7 is the current fiscal
9 year information. The first report showing you here for
10 July. And you will see on page 8, the next page of that,
11 that we reduced all of the prior years we used to report,
12 which used to go back to 2005, just giving you the most
13 relevant, current information. That's the only change
14 with that.

15 And then on page 9, in response to your
16 request at the last board meeting and discussion, we
17 provided you a chart showing you how for every month the
18 revenue is broken down into the different categories.
19 Showing that hopefully we'll find a trend as we go forward
20 that renewed licenses and the different permits are the
21 greatest source typically of our revenue. So hopefully
22 that is helpful to you.

23 What we plan to do going forward is also
24 provide you that same kind of graph for expenditures.
25 Unable to provide it at this point, so we're still working

1 out the final details of the budget, still getting
2 educated, if you will, for exactly how the expenditures
3 are broken down for OMH specifically, administration
4 function separately, and the Office of the State Fire
5 Marshal. So we don't have all the details finalized on
6 that. Once we do, we'll be able to break out the
7 expenditures for you in that same format.

8 And then beginning on page 10, the most
9 current completed financial report is for August 2010.
10 Again, hopefully you've all had the chance to look at
11 that. It was provided in your packet earlier.

12 And the same changes there on page 11, just
13 showing you the most current months and providing you the
14 revenue breakdown again for that specific month.

15 CHAIRMAN WAIT: Thank you very much. I,
16 myself, really appreciate the steps that you've taken to
17 put together a more readable and more understandable
18 reporting system for us to look at. And you're doing a
19 good job and heading in the right direction, I tell you.
20 My hat's off to you, Debra, or, Gene, or whoever is
21 responsible.

22 MR. PALMA: Debra and her staff.

23 CHAIRMAN WAIT: That's great.

24 MS. BLAKE: Thank you.

25 CHAIRMAN WAIT: Yes, Sam.

1 BOARD MEMBER BAIRD: Pie chart is great, I
2 really like it. I wonder if we could get one that would
3 be year-to-date.

4 MS. BLAKE: I'm sorry?

5 BOARD MEMBER BAIRD: A year-to-date that
6 would combine the months to the year.

7 MS. BLAKE: Sure.

8 BOARD MEMBER BAIRD: That way we could see
9 if there is an anomaly happening.

10 BOARD MEMBER WENDT: Chairman.

11 CHAIRMAN WAIT: Yes, Roger.

12 BOARD MEMBER WENDT: Debra, could we go back
13 to page 5 for a minute, please.

14 MS. BLAKE: Sure.

15 BOARD MEMBER WENDT: I notice bottom right
16 it says, Estimated Annual Revenue and Expenditures.
17 That's obviously what's on every page, but is that reality
18 now? Is that the precise dollars that came in and were
19 dispersed last fiscal year?

20 MS. BLAKE: That was the estimate that was
21 provided to us by Central Services Bureau that does our --
22 that piece of it for us.

23 I'm going to defer to Mary Ann. Do we have
24 final totals for fiscal '10?

25 MARY ANN: Yes, we do.

1 MS. BLAKE: Okay. So we can update you on
2 that via e-mail and correct this report or change this
3 report to reflect actual instead of estimated.

4 BOARD MEMBER WENDT: But this is pretty
5 close?

6 MS. BLAKE: I would say not.

7 BOARD MEMBER WENDT: Okay. And then, if I
8 may, Mr. Chairman?

9 CHAIRMAN WAIT: Yes, please.

10 BOARD MEMBER WENDT: Page 7, that shows July
11 has an estimated annual expenditure of 574,000, then you
12 go to 10, it jumps up to 800. I'm wondering if Gene is
13 getting a bonus or just what's happening there?

14 MS. BLAKE: No, it's my bonus, thank you.

15 Well, I'll tell you how this is roughly
16 calculated. And that, again, is coming from the trending
17 of what actual revenue and expenditures are. And so to
18 the best of my understanding, the way it's calculated is
19 certain expenditures of ours are paid up front in lump
20 sum, and so that kind of drives the calculation for the
21 estimated, which is probably --

22 BOARD MEMBER WENDT: Just multiply times 12
23 instead of --

24 MS. BLAKE: Exactly. So it's an estimate
25 and that's how they do it, divided by the number of months

1 times 12.

2 BOARD MEMBER WENDT: Which does -- which
3 makes that estimate pretty much useless to me.

4 MR. PALMA: Yes. Because, for instance,
5 last month we had our health insurance payment of close to
6 half a million dollars for the year, so that's going to
7 drive -- times 12 that will drive the annual expenditures
8 higher next month, but then the rest of the year it will
9 dip down because we won't have that lump sum payment
10 anymore.

11 So that's why you see -- especially in the
12 first quarter of the year, we have several lump sums we
13 have to make, like rent here, rent in Tucson, our risk
14 management payment and several types of benefit payments.
15 So that's why in the first quarter if you kind of -- it's
16 really pronounced, the differences.

17 CHAIRMAN WAIT: So we're not dealing with
18 like traditional private industry using budgets and
19 looking towards them, these are --

20 MR. PALMA: No, unfortunately, we're not.
21 And, in fact, you know, we get frustrated, because at the
22 beginning of this fiscal year, for the beginning we had
23 asked if they could give us some kind of schedule to let
24 us know when these payments were going to be made, so that
25 way we could plan out --

1 CHAIRMAN WAIT: Right.

2 MR. PALMA: And we did not receive a
3 response that even acknowledged the fact that, hey, there
4 is a schedule. So I think it just varies with whatever
5 the budget situation is and when they decide to withdraw
6 it. Because I personally, in the six years, seven years
7 I've been in state government, have not been able to nail
8 it down to, hey, this month they withdraw this, and this
9 month they withdraw that. I was hoping that we could get
10 down to some annual schedule, you know, as long as it's --

11 CHAIRMAN WAIT: Sure.

12 MR. PALMA: -- ahead of time, they could let
13 you know, but I think it's -- part of this whole budget
14 situation they wanted it fluid, but we don't have any
15 control over that.

16 CHAIRMAN WAIT: Roger.

17 BOARD MEMBER WENDT: Thank you. And that's
18 why my -- I guess that it's even more important to me,
19 then, to understand what the exact revenue and
20 expenditures were for last year, and then we can as a
21 Board --

22 CHAIRMAN WAIT: I agree.

23 BOARD MEMBER WENDT: -- based on shipments
24 when we're asked to set fees again next year, have some
25 more secure data to work, or nothing exact, but something

1 more to judge out.

2 MR. PALMA: I agree with you, and we will
3 have that.

4 CHAIRMAN WAIT: Is that something you can
5 just e-mail to us rather than waiting until the next
6 meeting?

7 MS. BLAKE: Yes.

8 CHAIRMAN WAIT: And then we'll know what the
9 actual numbers were and whether it was really 82 percent
10 or 92 or 52 or whatever.

11 MR. PALMA: If you go to page 5 and you look
12 under year-to-date revenue, because this is June, it is
13 the last month of the previous year --

14 CHAIRMAN WAIT: Right.

15 MR. PALMA: -- that 843,000 in revenue will
16 be pretty close.

17 CHAIRMAN WAIT: Real close.

18 MR. PALMA: Yes.

19 CHAIRMAN WAIT: Uh-huh.

20 MR. PALMA: Because we do have a 13th month,
21 which I don't know, and that's for accounting purposes,
22 whether that's included in this number or not, but it
23 would be pretty close to this number in terms of revenue.

24 And then, let's see, the expenditures --

25 CHAIRMAN WAIT: They're not even close to

1 the expenditures?

2 MS. BLAKE: No, it's not. And I think part
3 of that on the year-to-date expenditures, again, is just
4 the different way it was being accounted and reported and
5 managed. It really wasn't clearly broken out into this is
6 the budget and the revenue and expenditures for OMH as a
7 separate silo compared to the other entities that make up
8 the department. And so I don't know at this point if we
9 would ever be able to backtrack and figure that out, but
10 going forward for this fiscal year we have that all
11 separated.

12 CHAIRMAN WAIT: Okay.

13 BOARD MEMBER MCGILVERY: In other words, you
14 have prepared expenditures in here for some months.

15 MS. BLAKE: Yes.

16 MR. PALMA: Yes.

17 CHAIRMAN WAIT: So coming back to page 10
18 then, the increase in -- when you come to the estimated
19 annual revenue, the increase that was put in place by the
20 Board to increase the licensing, et cetera, really hasn't
21 come into play into that number yet either then. So
22 you've got on the expense side a prepayment of a half a
23 million dollars for health insurance premiums, but you
24 really on the income side haven't really -- we haven't
25 seen the effect, so to speak, or not much of the effect of

1 the increase. Would that be a safe statement?

2 MS. BLAKE: I would say that's a true
3 statement. The new fees were implemented July 1.

4 CHAIRMAN WAIT: Right.

5 MS. BLAKE: But we haven't seen, at this
6 point. I think once we have a quarter worth of data we'll
7 be able to see something, but we don't have really a clear
8 picture of that yet.

9 CHAIRMAN WAIT: Okay. All right. Any
10 further questions regarding the financial reports?

11 Yes, Joe.

12 BOARD MEMBER STEGMAYER: Debra, the
13 manufacture licenses, there is a two-year date in August
14 on page 10, who are those licenses, the new licenses kind
15 of midway down the page, the licensing report, new
16 licenses issued year-to-date, two?

17 MS. BLAKE: So new licenses for
18 manufacturers?

19 BOARD MEMBER STEGMAYER: Right.

20 MS. BLAKE: We issued one in August.

21 BOARD MEMBER STEGMAYER: Uh-huh.

22 MS. BLAKE: And we issued one in July, so
23 two year-to-date. And I'm sorry --

24 BOARD MEMBER STEGMAYER: Do you know who
25 those would be to?

1 MS. BLAKE: Do I know who they were? I
2 don't. I do know that there was -- I think they're both
3 FBB manufacturers. I know we have a company called B 100
4 that builds this kind of unique FBB for downtown style
5 living. And I'm not quite sure who the other one is, but
6 I can follow-up and find that out for you.

7 BOARD MEMBER STEGMAYER: Okay.

8 MS. BLAKE: Would you like that in e-mail as
9 well?

10 BOARD MEMBER STEGMAYER: That would be
11 great. Perfect.

12 CHAIRMAN WAIT: Sam.

13 BOARD MEMBER BAIRD: Same thing, a copy if
14 you would.

15 MS. BLAKE: I'll send it out to the whole
16 board.

17 BOARD MEMBER BAIRD: Thank you.

18 CHAIRMAN WAIT: So any other questions,
19 financial reports?

20 Roger, you're really being nice on this one.
21 At least Neal is not here.

22 BOARD MEMBER WENDT: I guess I, you know,
23 found it a little bit of a bright spot. We had a few more
24 shipments in June and July of this year than we had last
25 year. August dipped again, but little bright spot is

1 better than none.

2 CHAIRMAN WAIT: It's still tough looking at
3 a 75 percent decrease from, you know, 2007.

4 All right. Then no more questions regarding
5 financial report, we'll go to No. 5, Update on Legislative
6 Bills.

7 MS. SOLIERE: There are no bills to update
8 at this time.

9 CHAIRMAN WAIT: Perfect. Didn't take long
10 to take care of that.

11 All right. Fee Structure.

12 MS. BLAKE: I provided for you in your
13 packet beginning on page 13 is the new fee schedule that
14 was implemented July 1st for fiscal year '11 that reflects
15 the increases that the Board voted on previously.

16 BOARD MEMBER STEGMAYER: Have you received
17 comments from anyone since those fees became effective?

18 MS. BLAKE: No real comments. A few of the
19 installers, you know, just saying, oh, it's only -- it's
20 only \$6, we can deal with that. But, no, we haven't had
21 any real negative comments about it.

22 CHAIRMAN WAIT: Okay. Any further
23 discussion on that item?

24 Next item is Recovery Fund. That goes back
25 to Beth.

1 MS. SOLIERE: Yep. If you would please turn
2 to page 15, I've created a table that lays out for you
3 what claims we have pending payment. Currently there is
4 \$843 in the recovery fund. There are three claims pending
5 priority for payment, and those should be paid off within
6 two months, and then we have three that are waiting for
7 hearing. So we're doing a little bit better in the
8 recovery fund as far as claims go.

9 This was created on October 7. And actually
10 yesterday I received a check in the mail from a surety
11 bond company for \$17,500, so these will actually be paid
12 off next week.

13 CHAIRMAN WAIT: Okay.

14 MS. SOLIERE: Yep, so.

15 CHAIRMAN WAIT: Good.

16 MS. SOLIERE: And then that brings me to --
17 Does anyone have any questions about this?

18 BOARD MEMBER STEGMAYER: The claims pending
19 No. 1 priority, is that one claim?

20 MS. SOLIERE: Yes, that's for one claim.

21 BOARD MEMBER STEGMAYER: Okay.

22 BOARD MEMBER BAIRD: So we have three people
23 that have been waiting for money?

24 MS. SOLIERE: That are waiting, right. And
25 those will all be paid off sometime next week because we

1 received the check yesterday for the 17,500.

2 BOARD MEMBER STEGMAYER: Is it possible to
3 see the nature -- I see we have 34 open active complaints
4 on the August schedule under these complaints. Is it
5 possible to see the nature of these complaints?

6 MS. SOLIERE: Sure.

7 MS. BLAKE: You would like that --

8 BOARD MEMBER STEGMAYER: Maybe categorized,
9 is it an installation issue, is it a manufacturing issue,
10 retailer issue?

11 MS. SOLIERE: Sure.

12 MS. BLAKE: Would you like that in your
13 Board packet or would you like something prior to that?

14 BOARD MEMBER STEGMAYER: Well, if we could
15 see it prior, it would be helpful.

16 MS. BLAKE: Okay.

17 MR. PALMA: Would you like it to be part of
18 the information you receive?

19 BOARD MEMBER STEGMAYER: I would.

20 CHAIRMAN WAIT: You could probably just add
21 to that. If each one of these is stated as a separate
22 item, you could just put next to it installer issue,
23 retailer issue, manufacturer issue.

24 BOARD MEMBER STEGMAYER: It should be
25 educational, I think, and helpful to teach.

1 MR. PALMA: Good idea.

2 CHAIRMAN WAIT: That is.

3 MS. BLAKE: And I think that we could also
4 probably identify for you if it's a potential recovery
5 fund, because most of them don't get there.

6 CHAIRMAN WAIT: Right.

7 MS. BLAKE: And so if we know the dealer is
8 out of business, we know it's going to go to recovery, we
9 could identify that for you as well.

10 CHAIRMAN WAIT: Okay. Good.

11 BOARD MEMBER WENDT: And if that's reported
12 back to us then through our industry group, we can educate
13 ourselves on where we're messing up.

14 MS. BLAKE: Absolutely.

15 BOARD MEMBER STEGMAYER: That's exactly my
16 point.

17 CHAIRMAN WAIT: Go ahead, Roger.

18 BOARD MEMBER WENDT: One maybe significant,
19 I had a meeting with a manufacturer of home consumer about
20 a month ago who was ignorant of who -- my involvement
21 here. First reaction was, you know, the State is out of
22 money so I'm going after the bonding company, and then I
23 heard later from the bonding company who was trying to
24 settle with them. So, I mean, that's not good PR but, you
25 know, they're being satisfied directly by the bonding

1 company, the manufacturer.

2 MS. SOLIERE: Right. Sometimes they're
3 going that route just because they know they can get their
4 money sooner than they would get from the recovery fund.

5 BOARD MEMBER STEGMAYER: Do we know when
6 then -- first if it's a claim here, do we know if they've
7 received money from bonding company so they don't double
8 dip?

9 MS. SOLIERE: Yes, we know.

10 BOARD MEMBER WENDT: Joe, where were you
11 seeing the --

12 BOARD MEMBER BAIRD: Excuse me, let me -- so
13 the bonding company is responsible for the bond. There is
14 a \$25,000 bond, right?

15 MS. SOLIERE: Uh-huh.

16 BOARD MEMBER BAIRD: So if the bonding
17 company pays out \$17,000, that means that we could only --
18 and if there is more hits to the fund than that, there is
19 another \$8,000 left for us to get?

20 MS. SOLIERE: Yes. If there is more, yes,
21 we could go after the remaining. We can get whatever is
22 left up to \$25,000.

23 CHAIRMAN WAIT: Okay. Any further
24 discussion on the recovery fund and payouts, bonds?

25 MS. SOLIERE: If you would look at the

1 handout I've provided. It's my pie chart.

2 CHAIRMAN WAIT: This one?

3 MS. SOLIERE: Yes. This just shows you how
4 much we have collected to date. There is 317,000
5 available for potential collection in bond money. We have
6 collected 179,000, so there is potential for 138,000
7 still. And I am continuing to work on those in collecting
8 the bonds, sending out letters.

9 There are a couple that are new companies.
10 Altogether there is 17. 15 of those have been contacted
11 initially. There are two that haven't been contacted yet
12 but I'm working on the letters to send those out probably
13 within the next couple of weeks. So hopefully we will be
14 successful in collecting a good portion of that 138,000.

15 CHAIRMAN WAIT: So that 17,000 you just
16 collected, is that already reflected in there?

17 MS. SOLIERE: That actually is reflected.

18 CHAIRMAN WAIT: Okay. Great. So this is
19 real current.

20 BOARD MEMBER BAIRD: So this is January
21 2010?

22 MS. SOLIERE: Right.

23 BOARD MEMBER BAIRD: Okay. So it's really
24 October 2010.

25 MS. SOLIERE: Well, this goes up through

1 January. Between the months of January 2010 and now there
2 are a couple of claims that are out there. So there are a
3 few new companies to address, but they haven't had
4 hearings yet so I can't --

5 BOARD MEMBER BAIRD: This is what happened
6 between these two times?

7 MS. SOLIERE: Yes, right.

8 BOARD MEMBER BAIRD: So anything that's
9 happened between January --

10 MS. SOLIERE: Is not reflected. Is not even
11 on here, right.

12 BOARD MEMBER BAIRD: So we could have more
13 coming back that --

14 MS. SOLIERE: Yes.

15 CHAIRMAN WAIT: Roger.

16 BOARD MEMBER WENDT: We voted at our last
17 meeting, Beth, to try to receive, I forget the terminology
18 for it, but \$106,000, \$75,000 was from the State Treasury.

19 MS. SOLIERE: Right, divesting the money.
20 Yes, we did that, so we were able to pay a lot of those
21 claims. That's why this list is so much shorter than the
22 last list last time.

23 BOARD MEMBER WENDT: Thanks.

24 BOARD MEMBER STEGMAYER: These claims from
25 the bonding company for potential collection, are those

1 we're trying to collect the claims the State already paid?

2 MS. SOLIERE: Yes, we already paid out of
3 the recovery fund.

4 BOARD MEMBER STEGMAYER: So we're trying to
5 subrogate to the bonding company to get --

6 MS. SOLIERE: Right, to recuperate what
7 we've paid out. If it was less than 25,000, we recover
8 what we paid out. If it's more than 25, we can only
9 recover up to 25,000.

10 CHAIRMAN WAIT: Have they been difficult to
11 deal with, the bonding companies?

12 MS. SOLIERE: Some of them, yes, some of
13 them, no. Some of them have denied the claims. A couple
14 of those the AG's office has dealt with.

15 CHAIRMAN WAIT: Okay.

16 MS. SOLIERE: Most of them want to take a
17 look at the complaint first, do what they need to do on
18 their end and then send it back.

19 CHAIRMAN WAIT: All right. Thank you very
20 much, Beth.

21 Next item on the agenda is Bonding
22 Requirements. Our standing item.

23 MS. BLAKE: Okay. That information begins
24 on page 16 through 18. 16 is just a copy of the e-mail
25 that I sent out to the Board last month giving you an

1 update on the Department's efforts to follow through with
2 getting an exception -- or exemption, excuse me, exemption
3 to the governor's moratorium on rule package changes,
4 because this would obviously require that. And you can
5 see -- or you did see in that response that we weren't
6 successful with it. According to the feedback we got, it
7 didn't meet the criteria for the exemption. So we made
8 our best effort at making that happen, and unfortunately
9 we weren't successful right now with that.

10 On pages 17 and 18 is just a copy of the
11 resolution that Scott Butler presented to you at the last
12 board meeting. There are a couple of notations on there,
13 just wanted to bring your attention to on page 17.

14 The one comment that you see at the top had
15 to do with the change, which is not a rule change, it's a
16 statutory change. If you want brokers involved and
17 requiring them to have a bond, that's a statutory change,
18 which is a different process.

19 The other two were just -- well, the second
20 one, a significant typo, or correction. And I think
21 previously the language said a trust account, and we've
22 changed that to escrow, because obviously the push is to
23 go to escrow accounts for the protection of consumers.

24 And then the third notation on there we, as
25 part of the Board meeting last time, changed the language

1 that previously said we may immediately summarily suspend
2 the license, because the current statutes say we shall.
3 So those were just the three changes to that document.

4 And, again, I can't really report to you
5 except what I said in here, my last understanding was
6 Scott Butler, on behalf of the industry, did plan to take
7 this legislation to the next legislative session and
8 introduce it. And I don't know if maybe Ken Anderson
9 could speak to that if that's still the plan.

10 CHAIRMAN WAIT: Please, Ken.

11 MR. ANDERSON: Mr. Chairman, Members of the
12 Board, as of right now we are not planning on introducing
13 new legislation for budgetary reasons. That's the
14 position right now of our executive committee and board of
15 directors.

16 MS. BLAKE: Thank you, Ken.

17 So based on that information, I'm not sure
18 if there is further action that the Board would like for
19 us to take. I mean, we're kind of stuck I guess.

20 CHAIRMAN WAIT: Could you give us a little
21 more background on your position so I understand, seeing
22 how we, in essence, don't have a recovery fund anymore.

23 MR. ANDERSON: Yes. In dealing with the
24 State Legislature, Mr. Chairman, there is quite a bit of
25 time that a lobbyist must spend with various committees

1 and individuals. And our budget, very much like the
2 State's budget, has dwindled substantially in the last few
3 years. And we established new priorities just in the last
4 couple of months with our board of directors, and our
5 board has indicated at this time that this wouldn't be the
6 highest priority for use of lobby expenditures.

7 CHAIRMAN WAIT: Okay.

8 MR. ANDERSON: So it's something that might
9 change if it becomes a higher priority. If, for example,
10 the trust fund gets in a much more negative position, we
11 would have to take a look at it, but based on the
12 condition right now that Beth is just reporting, it's not
13 as severe as we anticipated at this point.

14 CHAIRMAN WAIT: Okay.

15 MS. BLAKE: Mr. Chairman and Board Members,
16 just one piece more of information for you. As we're
17 working to finalize the fiscal '11 budget, the OMH budget
18 did -- we did budget for \$5,000, which is about the cost
19 of taking a rule package forward, so we have the money to
20 do that once we can get the exception to move forward with
21 the rule package.

22 There is several things we want to include
23 in that rule package so it's not just for the purpose of
24 bonding. We need to bring our statutes up to
25 incorporating certain codes. Like, you know, we're using

1 the IBC, or the IBC and the IRC 2003 in statute, and yet
2 everything we look at and accept nowadays is 2006, because
3 that's primarily what everyone is using. So we're already
4 outside of our statute on that, but it's accepted business
5 practices for the industry to work in a certain code
6 cycle. And so we're doing it, but we do need to bring
7 those codes current, so there would be a couple of
8 different things.

9 And in all honesty, we really tried to focus
10 on bringing the codes current to push this last request
11 for the exception to the moratorium, but still no cigar.
12 We still didn't get quite there.

13 CHAIRMAN WAIT: Roger.

14 BOARD MEMBER WENDT: I'd like to whine about
15 that, by the way. I'll leave that alone.

16 MS. BLAKE: Okay. Thank you.

17 BOARD MEMBER WENDT: My question is, this
18 moratorium on any new rules, has that got a time on it or
19 is it --

20 MS. BLAKE: Do you recall, Beth? I know
21 that it was originally -- had a date of last October or
22 something.

23 MS. SOLIERE: Yes. And it was extended for
24 another --

25 MR. PALMA: As far as I know, there is no

1 deadline date or date to which they're thinking of, you
2 know, doing away with it, so it's pretty much open-ended.

3 I think obviously a lot has to do with just
4 the business environment and them wanting to make sure
5 that it's something that is not a burden to business, any
6 kind of rule. So I wish I could tell you more, but that's
7 all I know about right now.

8 BOARD MEMBER WENDT: Was that adopted by the
9 legislature or governor's proclamation or --

10 MR. PALMA: No. That's an executive order
11 by the governor way back when she first got into office.
12 I think that's one of the very first two or three orders
13 she issued was a moratorium on rules. And, again, part of
14 her philosophy was there was too many rules on businesses
15 and it was becoming a regulation burden. So you need to
16 go through the exemption process and they review each rule
17 and each provision in the rule to make sure that, in their
18 eyes, it doesn't create a problem or burden for business.
19 So that's where we were at with this one is it obviously
20 did add a responsibility.

21 Now you can interpret that one way or
22 another, if it's good for the consumer or it isn't,
23 whatever, but they decided it was not, at this time
24 anyway, something that they wanted to grant an exemption
25 for.

1 BOARD MEMBER WENDT: I understand, I just
2 was wondering whether there was a time -- in other words,
3 it's just open-ended?

4 MS. BLAKE: Open-ended. And a little
5 comment towards that is also that many State agencies have
6 struggled, obviously. We all have reduced budgets. And a
7 lot of State agencies their rules specify fees. We've
8 been fortunate here in that our rules, our statutes say
9 the Board sets the fees. And there is nothing specific in
10 the rules that say what those fees are, so we were able to
11 make the necessary adjustments based on the Board's vote
12 here to adjust the fees, but not all State agencies had
13 that luxury, or option, if you will.

14 CHAIRMAN WAIT: You know, I could argue this
15 all day long. I'll just lay my two bits out there, you
16 know. I certainly feel that it is not a burden. They
17 could still choose to stay at the \$25,000 bonding level,
18 they could do this or that. And I find it somewhat of a
19 shame, so to speak, that one of the driving forces that's
20 made this industry what it is today, which is not a whole
21 lot at this moment in time compared to the good old days,
22 but was the consumer protection.

23 Now we've got people standing in line
24 waiting. We've got a bond with -- I mean, an account with
25 \$843 in it. Who is to say they're not -- the next

1 retailer, for whatever reason, is going to take 850,000.
2 Now what are we going to do? And to me it's short-sided
3 as an industry -- that's just my two bits worth -- that it
4 is not being pursued. And I realize it's a long, boring
5 process, and probably is an expensive process, but it
6 would be my guess that you're going to regret it one of
7 these days, the industry is.

8 MR. ANDERSON: Mr. Chairman, is it possible
9 to appeal the governor's staff position on that?

10 CHAIRMAN WAIT: I wouldn't have a clue. I
11 don't know.

12 MR. PALMA: You can -- yes, you could appeal
13 it, that wouldn't be a problem, but I really don't think
14 it, at this point anyway, it would be worth the effort. I
15 sincerely think that they're going to try to get through
16 here the next, in my -- this is my personal opinion -- get
17 through the holidays and see where the revenues are. If
18 they don't pick up, I don't think they're going to be
19 reviewing any kind of approval or approve any kind of
20 rules that fall into the same characterization of imposing
21 any kind of burden on business so.

22 But we act on your behalf, so if you would
23 like us to appeal it, we certainly will. I have no
24 problem with that.

25 CHAIRMAN WAIT: Well, what are the feeling

1 of the Board Members on that subject? I've laid mine out
2 there.

3 BOARD MEMBER WENDT: Yeah. Well, the -- I
4 mean, to appeal it you call a staffer over there and have
5 to look at it again, or is it going to take a significant
6 amount of your time to -- you know, what's the -- what's
7 the -- what are you going to put on the back burner to put
8 that back on the front?

9 MR. PALMA: It certainly is not a formal
10 process. It simply incurs us taking the time to write up
11 another memo stating our position -- or the position the
12 Board has taken, and we're acting on your behalf and this
13 is why we think, you know, it should be granted an
14 exemption, and leave it at that. I mean, it really
15 doesn't take a lot of our time. I'm thinking timing is
16 everything, and you're looking right now at an election
17 coming up.

18 CHAIRMAN WAIT: Exactly.

19 MR. PALMA: So I would probably -- if we
20 sent something in, I don't think it would be reviewed for
21 at least 60 days, just because circumstances are -- their
22 priorities are -- and I'm not saying they don't look at
23 them, but I'm thinking by the time they review it and make
24 a decision, we're not going to hear back from them until
25 probably January. So I don't know if as a business

1 judgment in terms of you want to wait until after your
2 next Board meeting to do something, or you can certainly
3 direct us to do it now and we'd be more than happy to
4 follow through.

5 CHAIRMAN WAIT: No, that was one of my
6 thoughts was that, you know, certainly nothing is going to
7 happen until three weeks from now, roughly, get past the
8 election, just sit here until that moment in time. But I
9 personally would like to see if there is some opportunity,
10 and if it doesn't take a lot of staff time, I would like
11 to get that back in.

12 And can anything be added to it by the Board
13 or anything from the industry to try to convince these
14 people that this is a good rule change overall, you know,
15 friends of the court brief or something of that nature?
16 That's assuming people support it, but does that help in
17 this appeal process?

18 MS. BLAKE: I think it might help. I don't
19 know how much.

20 MR. PALMA: It certainly wouldn't hurt.

21 MS. BLAKE: But like if, you know, the
22 industry through AJ and others would write a letter
23 supporting that and why it's important to this industry,
24 certainly it wouldn't hurt.

25 BOARD MEMBER BAIRD: When we presented it

1 before and the answer came back no, was there a response
2 as no because?

3 MR. PALMA: No, there wasn't.

4 BOARD MEMBER BAIRD: So we don't even know
5 what their main objections were, like it was going to cost
6 small business more money?

7 MR. PALMA: Well, just going back to the
8 memo that they sent out for the exemptions, it had to be
9 one of four. And just off the top of my head, I can't
10 tell you what the other three are, but certainly the one
11 that imposed a burden on business certainly stood out as
12 far as applicable in the situation that we -- that the
13 rule was -- the rule change was presented in, because the
14 other one was I think a public safety issue. So this was
15 not a public safety issue.

16 And I can't recall the other two, but I am
17 making a presumption when I make that statement, but it's
18 an educated guess I guess you could call it. But, no,
19 they did not come back with a written response saying, you
20 know, this is why we're refusing to follow through on the
21 approval.

22 MS. BLAKE: And we did have some exchanges
23 and feedback and questions with them as we went through
24 the process. And I feel really confident that they
25 understood that this was optional.

1 CHAIRMAN WAIT: Yeah.

2 MS. BLAKE: So that if you wanted to do X,
3 you could keep your bond where it was.

4 CHAIRMAN WAIT: Right.

5 MS. BLAKE: If you wanted to do this, then
6 to protect consumer, you have to do -- you know, increase
7 your bond. So I think they clearly understood that, and
8 yet we still got the response we got so.

9 CHAIRMAN WAIT: And they understood the
10 status of the recovery fund?

11 MS. BLAKE: Yes. So we could certainly make
12 another attempt, say the same thing but format it in a
13 different way. Sometimes if it looks different, you know,
14 maybe put some graphs in there, what happened to the
15 recovery fund. And then if we have some written support
16 from industry.

17 BOARD MEMBER BAIRD: Right. The industry
18 they're really trying to not impose these additional fees
19 on -- industry is saying okay?

20 MS. BLAKE: Right, gives their blessing.

21 BOARD MEMBER BAIRD: What we're saying is
22 we're trying to, as a board, we're trying to do our due
23 diligence and take care of the consumer as best we can.

24 MR. PALMA: That was part of the argument we
25 presented to them, it was a consumer protection issue.

1 BOARD MEMBER BAIRD: So maybe if we enhance
2 the part of industry being --

3 MS. BLAKE: I think that would help.

4 BOARD MEMBER BAIRD: -- being pro change in
5 this regard, that might help them.

6 CHAIRMAN WAIT: And certainly the consumers
7 would be for it. I'm not sure who would be against it, to
8 be honest with you. It's an elective additional
9 regulatory burden if you choose to go to the \$100,000 bond
10 rather than staying with the 25. I mean, that's elective,
11 you know, so to me it just doesn't make sense. And it's
12 so important to this industry to have, you know, the
13 ability to take care of our home purchasers.

14 BOARD MEMBER BAIRD: And maybe our approach
15 should be like, it's so simple to us, we don't understand,
16 so obviously we didn't do a good enough job helping you to
17 understand what we're really trying to do here. And if we
18 use the word the consumer is for it, the Board is for it,
19 boom, boom, boom.

20 I'm not saying we did a poor job, I'm just
21 saying just another way in.

22 MS. BLAKE: Absolutely.

23 CHAIRMAN WAIT: I'd like to take another run
24 at it. Let's get the input from the industry, everybody
25 in the industry, the Board members and let's try to --

1 because I just don't see it as a burden. I just -- you
2 know, it does away with a potential big negative.

3 MS. BLAKE: We agree.

4 MR. PALMA: We'll certainly make the effort.

5 CHAIRMAN WAIT: Okay. Let's do it. You
6 guys have to put it together, obviously, because you know
7 what the process is, what has to be done, and put your
8 ideas together and then come back to the Board as well as
9 the industry and let's try to resubmit this thing.

10 MS. BLAKE: We'll reformat it, send it out
11 to you to look at, get your suggestions, obviously include
12 Arizona Housing Association. And then anything they can
13 do to help get behind it, we'll certainly do it.

14 MR. PALMA: I think the key is the third
15 party, you know, the public interest groups or just
16 regular consumers writing something up and making their
17 voice heard. So I think that's probably the best addition
18 we could make is making the general public part of the
19 process.

20 CHAIRMAN WAIT: I would think the only ones
21 against it are those who want to abuse it.

22 MS. BLAKE: I think the last meeting we had
23 a public member, Dave Roe, Jr., that presented his
24 experience with it, and maybe even if he could. He's a
25 licensed dealer. And so anywhere we can get support for

1 it would -- I think would help.

2 CHAIRMAN WAIT: Okay. Great, that
3 direction.

4 Okay. Any other discussion regarding
5 bonding requirements, Roger, Joe?

6 BOARD MEMBER WENDT: Would it be practical
7 to have that in the minutes, that the Board is requesting
8 your -- I mean, a formal motion to that effect?

9 MS. BLAKE: Yes, if you could make a motion,
10 that would be helpful. Thank you.

11 CHAIRMAN WAIT: Roger.

12 BOARD MEMBER WENDT: I so move.

13 BOARD MEMBER BAIRD: I second it.

14 BOARD MEMBER WENDT: Whatever I move.

15 BOARD MEMBER MCGILVERY: I'll second it.

16 BOARD MEMBER WENDT: I move that we request
17 the staff to go back to the governor's office with this
18 resolution from our last meeting.

19 BOARD MEMBER MCGILVERY: I'll second it.

20 CHAIRMAN WAIT: Okay. I have a first and a
21 second. Any further discussion?

22 All those in favor say aye.

23 BOARD MEMBERS: Aye.

24 CHAIRMAN WAIT: Motion carries the same.

25 Thank you.

1 Okay. Call to the public.

2 Ken.

3 MR. ANDERSON: Mr. Chairman, I'd like to
4 make two quick announcements. And the reason I need to
5 make them is because you'd never hear them from either of
6 the parties that I'm talking about.

7 Mr. Joe Stegmayer was elected chairman of
8 the Manufactured Housing Institute, which is our national
9 trade association in Washington. And there is
10 congratulations on that. It happened just last month in
11 Denver.

12 And your own Debra Blake was elected to a
13 member of COSAA, which is the Council of State
14 Administration Agencies in Washington, what, two months
15 ago?

16 MS. BLAKE: Yes.

17 MR. ANDERSON: And you'd never hear it from
18 Debra either, so that's why I had to say those things.

19 CHAIRMAN WAIT: Thank you, Ken.

20 Any other comments?

21 MS. HOLT: I'm Carol Holt, and I represent
22 Moms and Pops of America and a segment of the industry not
23 necessarily represented by the Arizona Housing
24 Association. So I would like to be cc'd on anything that
25 is being provided to them because I represent the broker

1 market. Thank you.

2 CHAIRMAN WAIT: You're welcome.

3 Any problems with that, Debra?

4 MS. BLAKE: I don't have any problems with
5 it. I just -- am just trying to mentally think about
6 things I said to Arizona Housing that would be -- usually
7 it's very specific.

8 You want shipment reports, because that's --

9 MS. HOLT: You know, I mean, my -- they
10 represent primarily the retailers, where my organization
11 represents primarily the brokers. To my knowledge, there
12 is not a Board member that represents only brokers that is
13 not also a retailer, so I'm going to be looking into
14 getting on the Board to represent brokers. But in the
15 meantime anything that's being sent out to, quote-unquote,
16 the industry, I represent a segment of the industry as
17 well, so I would like to be cc'd as one of those members
18 of the industry.

19 So whatever Arizona Housing -- Arizona
20 Housing Association gets as far as information about
21 changes, you know, whatever they're getting, I would like
22 also just to be able to provide to members.

23 BOARD MEMBER STEGMAYER: Could you define
24 brokers for us?

25 MS. HOLT: That does not have a retail

1 license. So brokers are the ones that are exempt by
2 statute from the bonding requirements. So those that are
3 selling preowned homes that are not selling new homes,
4 that's the difference.

5 BOARD MEMBER STEGMAYER: And your
6 organization is called what?

7 MS. HOLT: The Mom's and Pops of America.

8 BOARD MEMBER BAIRD: How many members do you
9 have?

10 MS. HOLT: Ten, so there is ten brokers,
11 but, you know, I've just recently hired five new
12 salespeople over the last six months, so I really see the
13 preowned housing market being an increased aspect of this
14 industry, considering the economy. So we represent a
15 substantial opportunity for many people to get into this
16 industry and resell homes that, you know, might not be
17 able to qualify for \$100,000 bond or \$25,000 bond.

18 So speaking from my standpoint, you know,
19 the requirements for bonding are extreme. And I do agree
20 with the escrow for retailers, absolutely. There is a lot
21 that can go wrong in a new home set-up. And certainly
22 there has been an issue with apparently one broker --

23 Debra, is that correct, that you said?

24 MS. BLAKE: I don't recall if it was one, I
25 just recall it was like \$90,000.

1 MS. SOLIERE: There are actually two or
2 three of them.

3 MS. BLAKE: Three.

4 MS. HOLT: So I would like that information
5 also just to be able to review that as well, who those
6 brokers were and what those amounts were, if that's public
7 information.

8 MS. BLAKE: You can provide that to her.

9 MS. SOLIERE: Okay.

10 MS. HOLT: I just want to stay in the loop,
11 so I'm just requesting that.

12 MS. BLAKE: Okay. I just want to clarify
13 one more time. Basically the only industry-related
14 information we send to AHA is the monthly shipment
15 reports, and that's not something you want?

16 MS. HOLT: Right.

17 MS. BLAKE: Okay.

18 MS. HOLT: But I think you were going to
19 keep them in the loop as far as any of the rule making and
20 that type of thing, because they're going to be using
21 their industry influence to help push these rule changes
22 to the governor's office. So anything that's involving
23 the rule making process, changes in codes, et cetera, I
24 would like cc'd on.

25 MS. BLAKE: Certainly.

1 MS. HOLT: All right.

2 CHAIRMAN WAIT: Okay. Thank you.

3 Your timing is impeccable, Scott, you know.

4 MR. BUTLER: I'm not even here officially.

5 CHAIRMAN WAIT: Well, your timing was
6 perfect because, you know, this is the call to public, the
7 next thing is adjournment, so, you know, this is your
8 opportunity to talk if you need to.

9 MR. BUTLER: I have nothing to say.

10 CHAIRMAN WAIT: That's amazing.

11 Joe.

12 BOARD MEMBER STEGMAYER: Mr. Chairman, thank
13 you.

14 Director, what's the counterpart to our
15 recovery fund on the site built housing side? What do we
16 have in the way of a similar mechanism?

17 MR. PALMA: On the site build side?

18 BOARD MEMBER STEGMAYER: Yeah, for customers
19 to file complaints.

20 MR. PALMA: So you're talking about just
21 like --

22 BOARD MEMBER STEGMAYER: For somebody who
23 doesn't buy a manufactured home.

24 MS. BLAKE: Register of contractors.

25 MR. PALMA: Yeah, they have a recovery fund.

1 They call it the same thing, in fact.

2 MS. BLAKE: They do, and it has a \$30,000
3 cap on it per consumer or per transaction, so they cap
4 theirs. We do not cap it.

5 MS. HOLT: We should.

6 BOARD MEMBER WENDT: Do we know what shape
7 their fund is in?

8 MR. ANDERSON: It's in the red, seriously in
9 the red.

10 BOARD MEMBER WENDT: Joe, just one little
11 piece. I'm not sure if it's when I obtained my general
12 contractor's license or my license renewal, it's a
13 pittance that's put into that fund compared to what we do.

14 CHAIRMAN WAIT: Yeah.

15 BOARD MEMBER WENDT: So if you go to the
16 governor's office and ask them to re review and they
17 compare it with the registrar, we're already performing so
18 much better for our consumers than they are.

19 MR. ANDERSON: Mr. Chairman.

20 CHAIRMAN WAIT: Yes.

21 MR. ANDERSON: One comment on the registrar,
22 they had their accounts swept by the governor's office at
23 one point and that's why they're in the red.

24 CHAIRMAN WAIT: So the governor swept that
25 recovery fund and one of our retailers swept ours.

1 Couldn't pass that one up.

2 BOARD MEMBER WENDT: There are thieves
3 everywhere.

4 CHAIRMAN WAIT: All right. Future meeting
5 dates. That's in your packet.

6 MS. BLAKE: It is, page 19. Thank you all
7 for your flexibility as we struggled to make this date for
8 this Board meeting. Appreciate that.

9 And I guess as part of that process I
10 thought, okay, could we get on a regular quarterly cycle,
11 which I recommended to you and you unanimously agreed. So
12 page 19 is your schedule for purposes of planning for
13 calendar year 2011.

14 They're all on the third Wednesday and they
15 all begin at one p.m. We're going to try to get this room
16 because it seems to accommodate everything pretty well.
17 So that's that.

18 CHAIRMAN WAIT: Okay.

19 BOARD MEMBER GIBB: I just have one
20 question, if I may.

21 CHAIRMAN WAIT: Yes, please.

22 BOARD MEMBER GIBB: We need some tenant
23 support, you mentioned -- it was mentioned here from the
24 home buyers. Is there anything that we can help, the
25 organization I'm involved in? We get a lot of

1 information. We have, you know, roughly 20,000 members.

2 CHAIRMAN WAIT: No, I think that would be
3 excellent in support of that.

4 BOARD MEMBER GIBB: If you can let us know
5 what you would like us to say, we can get the documents
6 out to help out. We have a special way to do it now.

7 MS. BLAKE: I know you do, and it works
8 really well.

9 CHAIRMAN WAIT: That would be great, because
10 it's coming from the industry, coming from the consumers,
11 coming from everyone. And I just --

12 BOARD MEMBER GIBB: We've established a new
13 system that's working quite well. Thank you.

14 MS. BLAKE: Thank you.

15 CHAIRMAN WAIT: All right. I'd entertain a
16 motion to adjourn.

17 BOARD MEMBER GIBB: I'll make the motion.

18 CHAIRMAN WAIT: All right.

19 BOARD MEMBER MCGILVERY: I'll second.

20 CHAIRMAN WAIT: Second. All those in favor
21 say aye.

22 BOARD MEMBERS: Aye.

23 CHAIRMAN WAIT: So moved. Thank you,
24 everyone.

25 (The meeting was adjourned.)

C E R T I F I C A T E

I, CHRISTINE M. COALY, hereby certify that the foregoing pages constitute a full, true and accurate transcript of all proceedings had in the above matter, all done to the best of my skill and ability.

SIGNED AND DATED this 3rd day of November, 2010.

CHRISTINE M. COALY, RPR
Certified Reporter
Certificate No. 50417